

Board of Director's Meeting Agenda

Meeting Date/Time: September 19, 2019, 6:30-9:00pm

Location: Ann Arbor District Library, 343 South Fifth Avenue, 4th Floor, Ann Arbor, MI 48104

Meeting Chair: Eric Mahler

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* M = Monitoring, D = Decision Preparation, O = Other

Monitoring Reports

Sample Motions

Accepting: I move that:

- We affirm that Monitoring Report XYZ has been read by board members, and
- We accept this report as it provides
 - a reasonable interpretation of the policy and
 - evidence of compliance with that reasonable interpretation [or... while not in compliance, shows evidence of reasonable progress/commitment toward compliance]

Not Accepting: I move that:

- We affirm that Monitoring Report XYZ has been read by board members, and
 - We do not accept this report
 - as the interpretation for XYZ.XYZ cannot be deemed reasonable by a rational person
- OR
- though it provides a reasonable interpretation, it does not adequately provide evidence of compliance for XYZ.XYZ.
- CEO will provide an updated Monitoring Report XYZ within ## months.

If additional policy development is desired:

Discuss in Board Agenda Item 3.0 Policy Monitoring and Development. It may be appropriate to assign a committee or task force to develop policy language options for board to consider at a later date.

Emergent Topics

Policy 3.13 places an emphasis on distinguishing Board and Staff roles, with the Board focusing on “long term impacts outside the organization, not on the administrative or programmatic means of attaining those effects.” Policy 3.1.3.1 specifies that that Board use a structured conversation before addressing a topic, to ensure that the discussion is appropriately framed:

1. What is the nature of the issue? Is the issue within the scope of the agency?
 2. What is the value [principle] that drives the concern?
 3. Whose issue is this? Is it the Board’s [Policy, 3.0 and 4.0] or the CEO’s [running the organization, 1.0 and 2.0]?
 4. Is there already a Board policy that adequately covers the issue? If so, what has the Board already said on this subject and how is this issue related? Does the Board wish to change what it has already said?
-

Board of Directors Meeting Summary

Meeting Date/Time: August 15, 2019, 6:30-9:00pm

Location: Dawn Gabay Operations Center, 2700 S. Industrial Highway, Ann Arbor, MI 48104

Board Member Attendees: Mike Allemang, Raymond Hess, Eric Mahler (Chair), Jesse Miller, Kathleen Mozak-Betts, Kyra Sims

AAATA Staff Attendees: Matt Carpenter (CEO), Bryan Smith, John Metzinger, Tim Sanderson

Chairman Eric Mahler called the meeting to order at 6:32 p.m.

1. OPENING ITEMS

1.1 Approve Agenda

Ms. Kathleen Mozak-Betts moved to approve the agenda. The motion was seconded by Mr. Raymond Hess. The agenda was approved unanimously.

1.2 Public Comment

Mr. Larry Krieg voiced concerns about Ann Arbor traffic growth and encouraged the Board to contribute toward solutions.

Ms. Michelle Barney expressed her willingness to contribute to public awareness of mass transit by passing around petitions.

Mr. Don Stasie declared that his largest concern is the absence of any fixed route busses on Carpenter Road on Sundays and the difficulty this poses for those living at American Place. He also suggested that the number 6 route could sub divide, and a few number 6's could be sent out to Sam's Club. He requested that all buses have identification on the back end of the bus and also discussed the need for bus drivers to have increased awareness of passenger's running for the bus.

Ms. Barney agreed with Mr. Stasie's assessment of Carpenter Road service.

1.3 General Announcements

Mr. Bryan Smith formally introduced the new Manager of Mobility Services, Michelle Willis, who was present at the meeting.

Mr. John Metzinger announced the appointment of the new Manager of IT, Mike Blackston, joining September 4th.

Mr. Mike Allemang announced that the Audit Task Force has chosen new auditors, UHY.

CEO Matt Carpenter pointed out the Board Assessment of Meeting questionnaire now in the back of the Board Meeting Packet.

2. CONSENT AGENDA

2.1 Minutes

Ms. Sims moved to approve the minutes and Mr. Hess seconded the motion. Mr. Jesse Miller abstained. The motion carried.

3. 2020 BUDGET UPDATE

3.1 2020 Budget Presentation

Mr. Metzinger discussed changes in the FY 2020 Budget since the last draft was presented to the Board, as well as the feedback collected from the public recently. He explained that there are only incremental changes in numbers since the last draft. He also discussed proposed budget cuts for 2020, including a possible switch from biodiesel fuel to clean (ultra-low Sulphur) fuel, possible discontinuation in the summer of 2020 of the ArtFair shuttles, as well as potentially reevaluating TheRide's participation as UofM football shuttles.

Mr. Metzinger announced that the final recommended Budget will be brought to the Board at the September 19th Board Meeting and will be a single-year operating and capital program for FY 2020.

Mr. Metzinger presented on the operation budget forecast and a probable deficit should corrections not be made, which would be against the Board's policy. He discussed causes and corrections for that deficit.

Mr. Allemang asked what the meaning of "under performed" means as a description of a route. Mr. Tim Sanderson explained that under performance of a route is generally based on passenger per hour but also on the overall character of the route and the purpose.

Prompted by Chairman Mahler, Mr. Metzinger discussed his assumptions around ridership being down 6% in 2019. Mr. Metzinger also discussed potential causes for lower ridership to be a rough winter in 2019, lower ridership nationwide, and others.

Chairman Mahler suggested separating Paratransit from Urban Demand Response for easier discussion. Mr. Allemang expressed agreement that ridership might best be looked at separately amongst the services.

In a discussion of risks and uncertainties, Chairman Mahler asked if the economy was factored into the budget. Mr. Metzinger explained that the budget was a status quo forecast, but he went on to discuss possible plusses and minuses of a slowdown, a fuel fluctuation, property tax values, and a recession.

Mr. Metzinger also discussed better utilization of the capital funds, increase in investment income, reasoning for contingency allocations verses predictability, budgeting to actual cost, holding management accountable for budgeting to actual cost, and continuing to improve in accounting and financial management.

Chairman Mahler asked when planning and discussions of the corrective measures and cost controls would begin, expressing his preference to start sooner rather than later. Mr. Metzinger responded that once past the budget adoption, staff and the Board will continue with the momentum of working toward the 2021 budget. Mr. Allemang expressed the importance that the Service Committee be the proper committee to start discussing these items, but the Finance Committee needs to be made aware of number changes as soon as possible.

Mr. Miller expressed caution toward putting too much on the Service Committee's plate. CEO Carpenter voiced that efforts will continue to be made for all these topics to be spread out amongst all the committees.

Mr. Allemang announced that once again Mr. Metzinger and his staff have received the GFOA Distinguished Budget Presentation Award, this time for the 2019 budget. The award will be presented at the September Board Meeting by Catherine McClary, Washtenaw County Treasurer.

3.2 Budget Public Hearing

Mr. Metzinger provided further explanation to Ms. Barney of operating costs, capital, and the “Use of Federal Funds” graph.

Mr. Stasie expressed concern about increase in demand for A-Ride. He applauded replacement of Crown Victorias with Chrysler sedans. CEO Carpenter provided some discussion of studies made on A-Ride and suggested further outside discussion or addressing his concerns with the LAC. Mr. Stasie was provided with additional information on LAC meetings and other meetings he can attend.

Mr. Stasie also expressed room for improvement regarding on-time performance.

4. POLICY MONITORING & DEVELOPMENT

4.1 Committee Reports

4.1.a Governance Committee

Chairman Mahler encouraged more Board Member participation than has been evident in recent months. He also announced that the Governance Committee will be meeting with three potential board candidates on August 28th.

Chairman Mahler led a discussion on the role of the Board Treasurer in the Articles of Incorporation. He described leaving the role vacant or eliminating the role. Mr. Hess suggested delegating the Treasurer responsibilities to the AAATA CFO. Mr. Miller offered the solution of presenting a consent agenda to the governing bodies. Chairman Mahler suggested that reaching out to Melvin Muskovitz for a resolution on this may be needed.

Chairman Mahler discussed officer elections and requested feedback on possibly eliminating the nominating committees process and simply taking nominations from the floor. Ms. Mozak-Betts expressed that nominations from the floor are possibly the better avenue. Mr. Allemang expressed that nominating committees make less sense for a smaller board like that of AAATA.

4.1.b Finance Committee

Mr. Allemang directed the Board to the Budget discussion, Corporate Business Plan, quarterly review of the investments, and the Committee meeting summary.

4.1.c Service Committee

Ms. Mozak-Betts announced that the Service Committee is open to be the Fare Policy Task Force if the Governance would like the Committee to do that. Mr. Sanderson discussed the one-year transit signal priority won by TheRide.

4.2 Monitoring Report: 3.5 Chief Governance Officer Role

Chairman Mahler commented that the feedback was generally positive from the two responses.

4.3 Other Board Reports & Ownership Linkage

4.3.a LAC & Task Forces

Cheryl Weber expressed her excitement for the LAC to be moving into policy governance. She offered that the Treasurer role in other Boards with which she has been affiliated just oversaw money spent on development of the Board.

5. STRATEGY & OPERATIONAL UPDATES: CEO

5.1 Corporate Business Plan Update

Ms. Rosa-Maria Njuki and CEO Carpenter provided discussion on the intent and purpose of the Corporate Business Plan draft, describing it as a high-level blueprint.

CEO Carpenter pointed out the heart of the rolling 5-year business plan on page 23, the AAATA Roadmap of Initiatives, highlighting the Long-Range Plan and increasing ridership.

Mr. Allemang complimented the Roadmap of Initiatives table and suggested that updating the table throughout the year would be helpful to the Board.

Mr. Hess presented the idea of opportunities for TheRide to look at other funding streams, including a millage, before 2023. He suggested looking at visitor contributions to the funding streams, i.e. gas, sales, and hotel taxes.

CEO Carpenter agreed that relying on property taxes so heavily creates a lot of competition and tax fatigue.

Chairman Mahler further clarified that the Corporate Business Plan is an analysis tool, not a tool to illustrate the actual mechanics of how initiatives will be accomplished.

Ms. Sims suggested a key for figure 5: 5-Year Work Plan describing the meaning of the grey highlights and the italicized items.

5.2 Q3 Finance Report

Mr. Metzinger explained the relevance of the quarterly report and walked through the income statement, the balance sheet, and the cash flow statement. He also discussed the investments summary.

Mr. Allemang offered that Ann Arbor pays property tax twice a year and the summer tax is far greater than the winter tax. He also explained the importance of surpluses going toward the current slightly off target reserves.

5.3 Q3 Service Report

Mr. Smith took questions for clarity from Mr. Miller about the report. Chairman Mahler expressed appreciation for the data and clarity of the data.

5.4 CEO Report

CEO Carpenter expressed that in his meeting with Senator Irwin the Senator continues to be a supporter of public transit. He also described his meeting with Representative Lasinski who is also supportive.

CEO Carpenter expressed that TheRide is awaiting a decision from the State regarding funding for Detroit-to-Ann Arbor. He described the inherent risks as worth taking should the funding be awarded.

CEO Carpenter discussed Michigan Flyer's expansion and the potential benefits of that. He responded to Mr. Miller that there is no discussion of an AirRide stop in Ypsilanti at this time, but there is a future for that if AirRide is decoupled and becomes more of a contracted service with more flexibility.

6. EMERGENT BUSINESS

No emergent business.

7. CLOSING ITEMS

7.1 Topics for Next Meeting

- 2020 Budget (Decision)
- Officer Elections

- Board Meeting Schedule Approval

7.2 Public Comment

Mr. Stasie asked if there is an expectation of an increase in Ridership. Chairman Mahler expressed that it is projected and can be reviewed in the Budget packet.

7.3 Board Assessment of Meeting

Board Members were encouraged to complete the Board Self-Monitoring Questionnaire.

7.4 Adjournment

Ms. Sims moved to adjourn the meeting. Ms. Mozak-Betts seconded the motion. Chairman Mahler adjourned the meeting at 9:24 p.m.

Respectfully Submitted by: Keith Everett Book

DRAFT

ISSUE BRIEF: Board Meeting Dates: 2019 – 2020**Meeting:** Board of Directors**Meeting Date:** September 19, 2019

INFORMATION TYPE:
Decision Preparation
PROPOSED BOARD MEETING DATES: 2019 – 2020
October 17, 2019
November 21, 2019
December 19, 2019
January 16, 2020
February 20, 2020
March 19, 2020
April 16, 2020
May 21, 2020
June 18, 2020
July 23, 2020
August 20, 2020
September 24, 2020
<i>Note: Board meetings in July and September are later than normal to avoid conflicts between earlier committee meetings and long weekends.</i>

ISSUE BRIEF: Bank Authorization for Investment Account

Meeting: Board of Directors

Meeting Date: September 19, 2019

INFORMATION TYPE:
Decision
RECOMMENDED ACTION(S):
Approve resolution authorizing staff signatures for investments held at Bank of Ann Arbor.
ALTERNATIVE OPTION(S):
N/A
PRIOR RELEVANT BOARD ACTIONS & POLICIES
<ul style="list-style-type: none"> Governance Process: Board Policy 2.6 Cash and Investments states, “The CEO will not fail to hold cash for short-term operations or surplus capital for investment according to the Board’s investing priorities: first ensuring safety of principal, next providing adequate liquidity, and third, returning the highest yield compatible with prudent investing.” Appendix F: Investment Policy includes, “The Deputy CEO Finance and Administration (CFO), or the Manager of Finance (Controller) as his/her designee, is designated as the investment officer for the AAATA, and is responsible for investment decisions and activities implemented under this policy under the supervision of the CEO and Treasurer. The investment officer is authorized on behalf of AAATA to execute and deliver agreements, documents, or other instruments in connection with or relating to the opening and closing of investment accounts, the purchasing, selling, or redeeming authorized investments, and the safekeeping of investment accounts.”
ISSUE SUMMARY:
The Bank of Ann Arbor requires a signed Board Resolution to authorize individuals to access the TheRide’s investment accounts. These accounts hold our investment funds in alignment with Board Policy 2.6 and Appendix F. The Bank needs this paperwork to document account access for the CEO, Deputy CEO/Finance and Administration, Deputy CEO/Operations, and Finance Manager.
BACKGROUND:
TheRide began holding a significant portion of its investments in U.S. Treasury Bills in 2018. Known as T-Bills, this investment is secure (backed by the U.S. Federal Government), liquid (cash can be pulled out of T-Bills if needed within 30 days) and generates a higher yield than prior investing strategies. The Board’s Investment Policy authorizes CDs, bonds and other direct obligations of the United States (such as T-bills) with a maturity less than 3 years, and certain Governmental Mutual Funds.

IMPACTS OF RECOMMENDED ACTION(S):

- Budgetary/Fiscal: Investments in Treasury Bills obtain higher yields while maintaining safety of principal and liquidity.
- Social: N/A
- Environmental: N/A
- Governance: N/A

ATTACHMENTS:

1. Resolution #05/2019: Investment Account Access Authorizations

INVESTMENT ACCOUNT ACCESS AUTHORIZATIONS

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE
ANN ARBOR AREA TRANSPORTATION AUTHORITY**

I hereby certify that the following Resolution was duly approved and adopted by the Board of Directors (herein after referred to as the Board) of the Ann Arbor Area Transportation Authority at a meeting held on September 19, 2019 at which a quorum was present and acting throughout.

WHEREAS, the Authority has accounts with the Bank of Ann Arbor for the purpose of banking and/or investment management purposes; and

WHEREAS, the Board ratified the establishment of specific investment accounts with the Bank of Ann Arbor in September 2018.

FURTHER, BE IT RESOLVED, that the Board hereby designates the following individuals as duly authorized and gives these individuals the authority to direct Bank of Ann Arbor via emails, telephone conversations, in writing, and/or any other form necessary regarding deposits, transfers, and withdrawals from any accounts held at the Bank of Ann Arbor (retail or trust), and to conduct any other business as deemed necessary and, further, grants Bank of Ann Arbor, Agent, the authority to follow without question the direction of at least two of the following named individuals:

Names(s)	_____	<u>Chief Executive Officer</u>
	Matthew Carpenter	Title
	_____	<u>Deputy CEO, Finance and Administration</u>
	John Metzinger	Title
	_____	<u>Manager of Finance</u>
	LaTasha Thompson	Title
	_____	<u>Deputy CEO, Operations</u>
	Bryan Smith	Title

Eric A. Mahler, Chair
September 19, 2019

Kyra Sims, Secretary
September 19, 2019

ISSUE BRIEF: Monitoring Report for Policy 2.4 Financial Planning/Budgeting

Meeting: Board of Directors

Meeting Date: September 19, 2019

INFORMATION TYPE:
Decision
RECOMMENDED ACTION(S):
Accept Monitoring Report Complete the survey before EOB Wednesday September 18 th , 2019.
ALTERNATIVE OPTION(S):
Acceptance Options (A, B, C, D, E) as described in Monitoring Report.
PRIOR RELEVANT BOARD ACTIONS & POLICIES
<ul style="list-style-type: none"> Policy 4.4: Monitoring CEO Performance, Appendix B
ISSUE SUMMARY:
As the FY2020 Operating and Capital Budget comes to the Board of Directors for adoption this month, the first step is for the Board to consider if budgeting has been prepared according to the expectations established in Policy 2.4.
BACKGROUND:
Monitoring Reports are a key Policy Governance tool to assess organizational/CEO performance in achieving Ends (1.0) within Executive Limitations (2.0).
IMPACTS OF RECOMMENDED ACTION(S):
<ul style="list-style-type: none"> Budgetary/Fiscal: <i>Preparation for adoption of the CEO recommended FY2020 Operating and Capital budget.</i> Social: <i>See budget document.</i> Environmental: <i>See budget document.</i> Governance: <i>Perform key Policy Governance Process</i>
ATTACHMENTS:
1. Monitoring Report for Policy 2.4 Financial Planning/Budgeting

Monitoring Report:

2.4 Financial Planning/Budgeting

AAATA Board;

In accordance with Policies 4.2, 4.3, and 4.4; I present this monitoring report on **Executive Limitation Policy 2.4: Financial Planning/Budgeting**.

The evidence of compliance throughout this Monitoring Report comes from the process by which the annual budget was developed, and the resulting document – the recommended Fiscal Year (FY) 2020 Budget. Additional evidence comes from the Corporate Business Plan document, and previously published Auditor reports and Quarterly Financial Reports that are publicly available on TheRide’s website and have already been supplied to the Board. These documents are cited as evidence of compliance with sub-policies in this section.

I certify that the information is true and complete.

Matt Carpenter,
CEO
Ann Arbor Area Transportation Authority (TheRide)

Policy Being Monitored

2.4 FINANCIAL PLANNING/BUDGETING

Financial planning for any fiscal year or the remaining part of any fiscal year shall not deviate from Board's Ends priorities, risk fiscal jeopardy, or fail to be derived from a strategic multi-year plan. Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not cause, allow or fail to address budgeting that:

- 2.4.1 Risks incurring those situations or conditions described as unacceptable in the Board policy "Financial Condition and Activities."
- 2.4.2 Fails to place business decisions in a comprehensive, strategic context that illustrates progress towards Ends and compliance with Executive Limitations.
- 2.4.3 Omits credible projection of revenues and expenses, separation of capital and operational items, cash flow, and disclosure of planning assumptions.
- 2.4.4 Is unclear about long-term funding needs and growth projections.
- 2.4.5 Causes deficit spending
- 2.4.6 Does not provide for adequate reserves.
- 2.4.7 Provides less for Board prerogatives during the year than is set forth in the Cost of Governance policy.
- 2.4.8 Funds ongoing operations via debt or creates unfunded future obligations.

Executive Limitations Policy 2.4

Financial planning for any fiscal year or the remaining part of any fiscal year shall not deviate from Board's Ends priorities, risk fiscal jeopardy, or fail to be derived from a strategic multi-year plan.

Compliance: In Compliance.

Current Interpretation & Rationale

I interpret this policy to be listing parameters and expectations for the recommended annual budget and budgeting for the future. I submit that all necessary interpretations of this policy are provided in the interpretations of the sub-policies below.

Evidence

I believe that evidence submitted for the following sub-policies is sufficient to demonstrate compliance with the overarching policy of 2.4.

The evidence of compliance throughout this Monitoring Report comes from the process by which the annual budget was developed, and the resulting document – the recommended FY 2020 Budget. Additional evidence comes from the Corporate Business Plan document, and previously published Auditor reports and Quarterly Financial Reports that are publicly available on TheRide's website and have already been supplied to the Board. These documents are cited as evidence of compliance with sub-policies in this section.

Executive Limitations Policy 2.4.1

...the CEO shall not cause, allow or fail to address budgeting that...Risks incurring those situations or conditions described as unacceptable in the Board policy "Financial Condition and Activities."

Compliance: In Compliance.

Current Interpretation & Rationale

I interpret this policy to mean that I must take into account budgeting elements of 2.5 Financial Conditions that are not otherwise covered in policy 2.4. Additional requirements are:

- **Contracts in the budget** - I interpret this policy to mean that anticipated contracts greater than \$250,000 must be listed in the budget to be considered approved as part of the budget. Any contract not included in this list over \$250,000 will come to the board for approval.
- **Adjustment of fares or tax rate** - I interpret this policy to mean that staff may not change fares or tax rates without Board approval. Neither the CEO nor the Board has the power to change the tax rate (mill rate). The Board must approve any proposed change which is then voted on by residents.
- **Real estate** - I interpret this policy to mean that staff may not buy, sell, or borrow against real estate without Board approval.

Evidence

- **Contracts:** a list of all anticipated contracts and their dollar value is included in Appendix 3, p. 36, of the recommended FY 2020 Budget.
- **Fares and Taxes:** as stated on pages 13, 15, 27, 29, Appendix 4; the recommended FY 2020 Budget does not change fares, however TheRide will continue to develop a strategy for fares in 2020. Primary property tax rates in Ann Arbor and Ypsilanti are unchanged in 2020 budgeting. The expansion millage in Ann Arbor, Ypsilanti, and Ypsilanti Township were restored after voters approved renewal of the 0.7 mill rate in August 2018; see pages 11, 12, 15, 16, and 27.
- **Real Estate:** Real estate acquisition, if necessary, was included in applications for discretionary grants for facility expansion, and this is reflected in capital budgeting. If funds are awarded, the CEO recognizes that the Board must make the decision to purchase real estate; staff are prohibited by Policy 2.5.9 from buying land without Board approval.

Executive Limitations Policy 2.4.2

...the CEO shall not cause, allow or fail to address budgeting that...fails to place business decisions in a comprehensive, strategic context that illustrates progress towards Ends and compliance with Executive Limitations.

Compliance: In Compliance.

Current Interpretation & Rationale

I interpret this policy to mean that the recommended annual budget should be accompanied by a multi-year corporate plan that illustrates how a single year fits into a longer-term approach to advancing the Board's policy goals, while also meeting expectations for risk management and prudent management of the agency's resources.

Together, the corporate plan and the budget must provide clear goals and priorities, illustrate how recommended efforts advance the policy goals of the Board, address all aspects of TheRide's business, and help the organization become more compliant with Board policies.

Evidence

Strategic Context: The Corporate Business Plan illustrates a strategic context for the annual budget by:

- Aligning priorities and resources towards the Board's written policy goals (pp. 15-22),
- Providing clear goals which then guide the recommended annual budget (pp. 6-7),
- Establishing a situational awareness of the current status of the agency via SWOT, PESTLE, and Financial analyses (pp. 11-14), and
- Explicitly connect proposed initiatives with specific policy goals of the Board (pp. 15-22).

A key missing piece of strategic context is a clear long-term plan for transit services. The need for this is recognized in the Corporate Business Plan (pages 17, 23) and the recommended FY 2020 Budget (pages 15, 19, and 29).

Comprehensiveness: The recommended FY 2020 Budget encompasses all elements of TheRide's business. It combines the operating budget (pp. 15-24, 27-28) and capital budget (pp. 15-24, 29-35) in one document. Existing services and infrastructure are funded and maintained (pp. 15-16).

Risk is addressed in several parts of the recommended FY 2020 Budget, for example:

- Replenishment of the reserve (p. 12),
- A focus on addressing deferred maintenance (p. 19),
- Anticipating financial risks (p. 20),
- Adjustments within various budget line items too numerous to list, and
- By placing the annual budget in the context of the Corporate Business Plan that identifies Weaknesses and Threats (SWOT).

Both the CEO and CFO attest that, to the best of their knowledge, there are no elements missing from the budget. This confidence comes, in part, from a collaborative effort to develop the budget where staff, the public and Board members have been consulted repeatedly over a five-month period (Budget pp. 7-8).

Executive Limitations Policy 2.4.3

...the CEO shall not cause, allow or fail to address budgeting that... omits credible projection of revenues and expenses, separation of capital and operational items, cash flow, and disclosure of planning assumptions.

Compliance: In Compliance.

Current Interpretation & Rationale

I interpret this policy to mean that each recommended annual budget must include realistic estimates of future costs and revenues, sufficient to contextualize the annual budget and demonstrate longer-term financial implications.

In this context, a “credible projection” is an extrapolation of future costs and revenues based historic financial evidence, identified risks, and reasonable and realistic assumptions about future circumstances (i.e. inflation, ridership trends, anticipated economic changes, etc). In this context the forecasted cash flow is presented as annualized totals.

Furthermore, forecasts must clearly distinguish operating and capital expenses. The time horizon for operating forecasts will cover at least the next 5-year millage cycle, while capital costs are projected over a ten-year timeframe due to longer project-development and implementation cycles.

Evidence

- **Operations:** 7-year forecast of revenues, expenses and cash flow for operating costs are presented on page 21 of the FY 2020 Budget. We believe that these projections are realistic in light of historic trends as seen on page 17 and assumptions starting on page 18. In general, forecasted revenues and expenses are expected to increase about 2.5% each year (2019-2025) via inflation. Additional details about assumptions for the operating budget can be found in the appendix of the 2020 Budget, starting on page 20.
- **Capital:** The 10-year forecast of capital expenses and annual cash flow, as well as assumptions, are presented on page 24 of the recommended FY 2020 Budget. Capital cost forecasts also include an inflationary factor (about 3%) and a staggered implementation of capital projects in particular years (as described in the Corporate Business Plan and Appendix 2 of the 2020 Budget.)

Executive Limitations Policy 2.4.4

...the CEO shall not cause, allow or fail to address budgeting that... Is unclear about long-term funding needs and growth projections.

Compliance: In Compliance.

Current Interpretation & Rationale

I interpret this policy to mean that the recommended annual budget must anticipate and clearly account for the funding required in future years to 1) maintain existing services, 2) maintain assets as per policy 2.8: Asset Protection, 3) mitigate against foreseeable risks, and 4) implement plans for change adopted by the agency (e.g. expansion plans, new services, etc).

In this context I believe that "needs" will be clear when specific priority expenditures (e.g. projects, initiatives, line items, etc) are identified in annual budget, and when the scope and rationale for the expenditures is provided and is acceptable for the full Board. Clarity also requires:

- Realistic estimates of future costs,
- Adjustments for inflation and other reasonable assumptions about future economic conditions,
- Accounting for full-year costs of earlier partial-year initiatives, and
- Anticipation of operating costs that accompany new capital projects (e.g. staffing for a new building).

I interpret a "growth projection" to mean forecasts of changes in expenditures and revenues which are used to guide budget development.

I believe that "long-term" for budgeting purposes means that operational needs will be illustrated for at least a rolling five-year period, and capital for a rolling ten-year period. A longer-range forecast/plan can be adopted if helpful, for example based on a long-range service plan.

Evidence

- **Operating Needs:** The recommended 2020 Budget contains the expenditures necessary to maintain all existing services. As noted on pages 15-16, all services are maintained at existing levels except for replacement of some fixed-route service in Pittsfield Township, and expansion of AirRide. Forecasts of operational revenues and costs for 2021-2027 are provided on page 21 of the 2020 Budget. Recent historic trends are illustrated on page 17.
- **Capital Needs:** As illustrated on pp. 22-24 of the recommended 2020 Budget, ten years' worth of projected capital needs have been organized into four categories: State-of-Good-Repair, Value Added, Expansion, Research and Development. The first two categories are well populated with projects for maintaining and improving existing services and infrastructure. The "Expansion" category will be populated by projects derived from the Long-Term Service Planning effort called for in the budget and Corporate Business Plan.
- **Risk:** Risks and mitigations are discussed in the 2020 Budget on page 20. The Budget has a contingency margin of .9%, with a budgeted surplus (Reserve Retainage) of \$434,972.

- **Corporate Business Plan:** The operational and capital projections in the 2020 Budget are further contextualized by the timeline of major initiatives provided in the Corporate Business Plan on page 23.

Executive Limitations Policy 2.4.5

...the CEO shall not cause, allow or fail to address budgeting that... Causes deficit spending.

Compliance: In Compliance.

Current Interpretation & Rationale

I interpret this policy to mean that the TheRide should not risk financial jeopardy or services to existing passengers by budgeting or allowing overall spending to exceed revenue (i.e. deficit spending). For annual budgeting, this means that:

- Proposed expenses (operating and capital) in the recommended annual budget must be equal to or less than anticipated revenues,
- New expenses cannot create unfunded liabilities in future years.
- We cannot use reserves to pay for ongoing operating costs, and
- Should debt-financing be recommended as a part of an annual budget, the costs of financing a debt will be clearly articulated and will not cause operating deficits.

It is not acceptable to increase short-term spending by creating future financial burdens that are imprudent or excessively risky, or not clearly identified for the full Board. Specifically, ongoing operating costs cannot be funded by debt, drawing down the reserve (unrestricted net assets account), or under-funding capital or maintenance activities. While multi-year forecasts can show projected deficits as part of the financial planning exercise, the CEO will not recommend an annual budget for approval that includes deficits.

Furthermore, during a fiscal year should it become apparent that total annual expenses will actually exceed total revenue, the CEO is required to adjust spending or revenue to avoid deficit spending.

I further interpret this policy to mean there could be emergency situations in the future where short-term deficit spending is a prudent course of action (e.g. disaster recovery, etc.). Such spending can be recommended by the CEO but would need to be approved by the Board.

Evidence

The FY 2020 Budget:

- Proposes total expenses (\$47,389,476) that are lower than total revenues (\$47,824,448), and a surplus (Reserve Retainage) of \$434,972 (p. 17).
- Creates no unfunded liabilities in FYs 2021-2027. There are no anticipated unfunded liabilities such as unfunded pensions or post-employment benefits in the FY2020 budget.
 - The FY2018 fiscal year audit did identify an unfunded accrued liability for post-employment benefits other than pensions of \$1.6 million (see the FY2018 audit, pp. 24-26). In April 2019, the Board adopted a corrective action plan to bring the liability into a funded status by the end of FY2019. The 2019 correction will resolve the unfunded status of the liability prior to the start of FY2020.

As illustrated on page 17, funding sources (i.e. revenues) do not include any contribution from the reserve account. The reserves (unrestricted net assets account) continues to grow, albeit slowly (p. 12), with a

budgeted \$434,972 contribution in FY 2020 (p. 17). However, the reserve will naturally fluctuate with cash flow through FY 2020, as discussed below.

The AAATA carries no debt. This is validated by the 2018 audit conducted by Plante Moran (Board Packet for February 2018) and demonstrated on the balance sheets of the Quarterly Financial Reports, and most recently the Third Quarter reports from August 2019. Both of these documents are available on TheRide's website.

Executive Limitations Policy 2.4.6

...the CEO shall not cause, allow or fail to address budgeting that... does not provide for adequate reserves...

Compliance: Not in compliance. Plan in place.

Current Interpretation & Rationale

I interpret this policy to mean that TheRide must have enough liquid financial resources readily available to prevent interruption to regular agency operations in the event of disruption to agency funding sources. For example, we need to have enough money to make payroll should funding from the State of Michigan or federal government be delayed (as has occurred in the past). Processing errors and federal government shutdowns have caused such delays in the past.

I define "adequate" to mean 2.5 months' worth of regular operating expenses (excluding one-time expenses). We will consider TheRide to have adequate reserves when we have a minimum of 2.5 months of operating expense in reserve for 12 consecutive months. A ratio is preferable to a fixed dollar amount as it will keep pace with budget changes. The specific threshold of 2.5 months is considered reasonable based on industry practice and agency history.

Evidence

According to the 2019 Third Quarter Financial Statements (August 2019), the reserve contained \$8.8 million, or 2.31 months of operating expense. As of September 2019, Year End projections for FY 2019 anticipate a surplus (Budget page 17) which will be directed to the reserve. The budget surplus in FY 2020 will also be directed to the reserve. As noted under Policy 2.4.6 above, there are no plans to use the reserve to pay for any expenses. Final compliance with this policy is still likely a few years away but progress is being made.

The Government Finance Officers Association (GFOA) best practice recommends, at a minimum, that governments maintain at least two months of regular operating expenditures in reserve. However, several factors should be considered including the predictability of revenues, volatility of expenditures, and other considerations. (See <http://www.gfoa.org/fund-balance-guidelines-general-fund>). The CEO and CFO believe that 2.5 months should continue to be TheRide's objective based upon GFOA's recommendations and considering that state and federal grant funding can be unpredictable.

Executive Limitations Policy 2.4.7

...the CEO shall not cause, allow or fail to address budgeting that... Provides less for Board prerogatives during the year than is set forth in the Cost of Governance policy.

Compliance: In compliance.

Current Interpretation & Rationale

I interpret this policy to mean that the budget must include funds for Board to do its work and that the amount of funding be determined by the Governance Committee. This year the Governance Committee accepted a staff recommendation of a budget of \$40,000, \$10,000 less than was budgeted for FY2019. Examples of past expenses in this area have included group and individual education and training, facilitators, and governance advisors.

Data and Metrics:

\$40,000 included in Budget, in "other expenses." While this line item is not called out specifically in the budget, the amount is included in Account 300-509-017 (Board Governance and Training).

Executive Limitations Policy 2.4.8

...the CEO shall not cause, allow or fail to address budgeting that... funds ongoing operations via debt or creates unfunded future obligations.

Compliance: In compliance.

Current Interpretation & Rationale

I interpret this policy to mean that, with respect to recurring operating expenses, the AAATA must live within its means and avoid over-extending ourselves financially. Using debt or creating future obligations (e.g. unfunded pension liabilities, etc) in order to allow more spending today are not a transparent means of paying for existing services, and are prohibited. Specifically, we cannot borrow funds or otherwise leverage the Authority for the purpose of paying for ongoing operating costs such as staff, fuel, bus services, geographic coverage, etc. Furthermore, we cannot create new expenses that will cause forecasted expenses to exceed reasonably foreseeable revenues. (This policy does not apply to capital projects where debt may be a reasonable means of financing large projects.)

Data and Metrics:

AAATA has no debt, as is indicated in the FY2018 audited financial statements (p. 7).

The multiyear forecast presented in the budget (pp. 21, 24) demonstrates that the CEO has not caused new obligations for the AAATA that cannot be funded with reasonably foreseeable revenues. Sunday service on route 4 was expanded in January 2019 funded through additional millage funds, as was described in the 2019 budget. No unfunded service expansions have occurred.

The budget acknowledges future challenges (p. 25, Appendix 6), however the forecasted operating deficit is the result on inflationary pressures upon existing obligations, and are not the result of any new obligations created by the recommended budget.

(To be filled in based on Board action after submission)

Policy: 2.4 Financial Planning/Budgeting

Date Submitted: Sept 12, 2019

Date of Board Response: Sept 20, 2019

The Board has received and reviewed the CEO's Monitoring Report references above. Following the Board's review and discussion with the CEO, the Board makes the following conclusions:

Executive Limitations Report (select one)

The Board finds that the CEO:

- A. Is in compliance
- B. Is in compliance, except for item(s) noted.
- C. Is making reasonable progress toward compliance.
- D. Is **not** in compliance or is **not** making reasonable progress toward compliance
- E. Cannot be determined.

Board notes:

ISSUE BRIEF: FY2020 Recommended Operating and Capital Budget

Meeting: Board of Directors

Meeting Date: September 19, 2019

INFORMATION TYPE:
Decision
RECOMMENDED ACTION(S):
Approve FY2020 Operating and Capital Budget as recommended by Resolution
ALTERNATIVE OPTION(S):
Provide additional direction to the CEO. (Six affirmative votes required. Bylaws: Art. IV, sec. 6.)
PRIOR RELEVANT BOARD ACTIONS & POLICIES
<ul style="list-style-type: none"> • Governance Process: Policy 2.3.7 – Board responsibility to approve annual budget • Executive Limitation: Policy 2.4 Financial Planning/Budgeting
ISSUE SUMMARY:
<p>State law requires the Board approve an operating budget before funds can be spent in the new fiscal year, which begins October 1, 2019. Board Policy 2.4 requires the CEO to ensure that budgeting for a fiscal year does not deviate from the Board's Ends priorities, risk fiscal jeopardy, or fail to be derived from a strategic multi-year plan.</p> <p>Through an authorizing resolution, the board can approve the FY 2020 budget as well as the multi-year capital program required for federal capital funding.</p> <p>The Board has reviewed and commented on prior draft budgets, public meetings were held in Ann Arbor and Ypsilanti, and a formal Public Hearing was held as required by state law in August. Based upon these discussions and management staff inputs, staff have prepared revisions to the budget and provided additional context.</p>
BACKGROUND:
<p>The Michigan Uniform Budgeting and Accounting Act of 1968 requires the Board to adopt a balanced operating budget by resolution for the new fiscal year, which begins October 1. WATS, MDOT, and FTA also require capital needs statements to aid in planning. This required language has been incorporated into the resolution.</p>
IMPACTS OF RECOMMENDED ACTION(S):
See Budget Document
ATTACHMENTS:
<ol style="list-style-type: none"> 1. Recommended FY2020 Operating and Capital Budget 2. Resolution 06/2019, Adoption of the FY2020 Operating and Capital Budget (See p. 47 of the budget presentation)

Governance Committee Meeting Summary

Meeting Date: August 29, 2019

Location: Blake Transit Center, 328 S. 5th Ave., Ann Arbor, MI 48104

Board Member Attendees: Eric Mahler (Chair) (joined via phone), Roger Hewitt, Mike Allemang

AAATA Staff Attendees: Matt Carpenter, Bryan Smith, John Metzinger, Tim Sanderson

Chairman Eric Mahler called the meeting to order at 9:08am.

1. OPENING ITEMS
<p>1.1 Additions to Agenda Chairman Mahler requested that the Committee start coming to some decision strategy on the Treasurer role in this meeting. He is contacting Melvin Muskovitz via e-mail today for further discussion regarding the role.</p> <p>Mr. Mike Allemang commented that CEO Matt Carpenter’s survey of other agencies provides an argument for not having a Treasurer role. He also made mention that if the role is eliminated, there should be comment of it in the bylaws.</p>
<p>1.2 Communications Mr. Tim Sanderson announced that Mr. Bill DeGroot will be leaving AAATA for a city management role in Marquette. CEO Carpenter and Mr. Sanderson expressed their appreciation of Mr. DeGroot’s service at AAATA and wished him well.</p>
2. POLICY MONITORING & DEVELOPMENT
<p>2.1 Other Governance Issues (as assigned)</p>
<p>2.1.1 Board Candidates (8/28 Interviews) Chairman Mahler expressed that all the candidates were good, and all bring something different to the table. Without ranking the candidates unnecessarily, the Governance Committee will take whatever questions Mayor Taylor asks.</p>
<p>2.1.2 Board Engagement CEO Carpenter suggested eliminating verbal reports of written reports that could be reviewed without the verbal.</p> <p>Chairman Mahler discussed consolidating reports and less use of task forces.</p> <p>Mr. Allemang expressed his support of cutting down or even eliminating board meeting verbal reports. He cautioned that doing away with task forces might be a problem for discussions of the Ends.</p> <p>Mr. Hewitt offered that he supports cutting the verbal reports except for when the Committee Chair may like to further illustrate something. He expressed feeling split about the task forces.</p> <p>CEO Carpenter mentioned that reducing time in meetings focused on the past and increasing time focused on exciting future items could help engagement.</p>

He hopes that there can be a more robust discussion of the Ends at the Board Meetings.

Chairman Mahler added that with the Ends being a broad topic, there should be a task force.

Keith Book will set a time and date for the Ends Task force meeting after September 17th for Mike, Roger, and Jesse.

Mr. Mahler suggested that if a task can be efficiently assigned to a Committee rather than a Task Force, that should be done, going case by case from there, with the Ends Task Force being the first example of that exception. Mr. Allemang suggested one individual who has a passion for a task may join the committee's discussion of the task without violating the quorum.

The Committee discussed that the feedback on policy was still down. CEO Carpenter offered that he and Ms. Njuki will discuss another way to facilitate the process on policy monitoring and may ask for Rose Mercier's suggestions. Chairman Mahler suggested that feedback on policies could possibly be done at the committee level near the end of their meetings, like was done for the recent Board meeting assessment.

2.1.3 Meeting Assessment (8/15)

Mr. Allemang expressed that the hardcopy survey on the back of the Board Meeting packet was a good idea.

2.1.4 Committee Agendas

Board Meeting Agenda:

- Chairman Mahler requested that the Board Officer Election agenda item be moved up to Opening Item 1.4.
- CEO Carpenter would like to remove the Corporate Business Plan Update.
- Mr. Allemang will have Ms. Kyra Sims speak at the Board Meeting, since he will not have attended the Finance Committee meeting in September.
- CEO Carpenter suggested striking Task Force from the agenda.
- Mr. Allemang suggested that Ownership Linkage be removed.
- CEO Carpenter also advised that the retreat Ends be revisited in the October Board meeting.
- The items listed under Topics for Next Meeting were an accidental carry over from the August Board Meeting agenda and will be struck.

Finance Committee Meeting Agenda:

- It was discussed to add Monitoring Report 2.4, Financial Policy & Budgeting as agenda item 2.b.
- Mr. Allemang requested that Ms. Sims be indicated on the agenda as the Acting Meeting Chair to discuss the Audit Task Force specifically, since he will be absent at the September 10th Finance Committee Meeting.

Service Committee Meeting Agenda:

- Mr. Hewitt would like to add a discussion on the Service plan, to discover what the Board's role in that is. It will be added to the Service Committee Meeting's agenda as 3.b Long Range Plan Discussion.

3. STRATEGY & OPERATIONAL UPDATES: CEO

3.1 2020 Budget

Mr. Metzinger discussed the recommended budget. He explained that there would be an Issue Brief added for the Service and Finance Committee Meeting packets highlighting the changes, which include:

- Operating budget - page 17 – No change in revenue but expense costs went up.
- There have been huge moving pieces in the capital budget. It is the same total expense. Funds have shifted within the programs, with details on page 24. Paratransit fleet service plan changes have been moved forward, details on pages 29 and 33. Roof and HVHC has flip flopped years with paratransit supported by the idea that the best practice for the roof replacement is to wait.

Mr. Bryan Smith discussed the benefits of TheRide owning the paratransit fleet now that funds have been reallocated timing-wise.

Mr. Hewitt and Mr. Allemang expressed that the timing and fund allocation changes look like a good approach.

Mr. Metzinger remarked that every comment in the Public Hearing was about paratransit, which supports sooner action.

CEO Carpenter added that the following issues will resurface soon:

- The Ends
- Pittsfield Township
- Ridership vs. Coverage
- The garage as the fleet expands

Mr. Allemang would like education on POSA and Pittsfield Township.

CEO Carpenter discussed the area of whistle blowers, which came up in discussions of staff handbook updates.

Mr. Allemang asked that the Board be briefed on technology and how it serves the riders. He suggested this could go along with the fare study.

4. CLOSING ITEMS

4.1 Topics for Next Meeting

4.1.a Treasurer Role

4.2 Adjournment

Chairman Mahler adjourned the meeting at 10:40am.

Finance Committee Meeting Summary

Meeting Date: September 10, 2019

Location: Blake Transit Center, 328 S. 5th Ave., Ann Arbor, MI 48104

Board Member Attendees: Mike Allemang (Chair) (absent), Raymond Hess (absent),
Jesse Miller (joined via phone), Kyra Sims (Acting Chair)

AAATA Staff Attendees: Matt Carpenter, Bryan Smith, John Metzinger

Acting Chairman Kyra Sims called the meeting to order at 2:57pm.

1. OPENING ITEMS
<p>1.1 Agenda (Additions, Approval) Agenda was approved unanimously.</p>
<p>1.2 Communications CEO Carpenter reminded the group about Bill DeGroot’s farewell on Friday, September 13th.</p> <p>An update on the state budget was sent out by CEO Carpenter yesterday. As he knows more, he will pass it along.</p> <p>Mr. Metzinger explained that the Check Signing Authorization and Resolution will be a part of the consent agenda at the next Board meeting.</p>
2. POLICY MONITORING & DEVELOPMENT
<p>2.1 Audit Task Force (Verbal) Mr. Metzinger confirmed that the contract is awarded to UHY and is moving forward.</p>
<p>2.2 Monitoring Report: 2.4 Financial Planning & Budgeting Mr. Metzinger explained the two-fold process of approving the budget this month. He explained compliance with 7 of the 8 policies in the monitoring report.</p> <p>The policy requiring clarification is on Page 8, Policy 2.4.5. Technically, any variance in budget positive or negative could be considered noncompliant. Ms. Sims commented that the same issue occurred last year, confirmed by CEO Carpenter. Mr. Miller expressed that there should be clarity on interpretation. He is okay with CEO Carpenter providing clarity for the Board to review. Ms. Sims commented that if next year’s policy can have a range of variance to budget, she agrees with Mr. Miller.</p> <p>Mr. Metzinger discussed 2.4.7 policy as well, indicating progress being made on the reserve.</p> <p>Regarding the 2.4.1 policy, Mr. Metzinger explained that there would be communication about the funding for the real estate (whether awarded or not) at the end of November.</p> <p>CEO Carpenter confirmed he will be having a meeting with Frances McMullen (City Manager of Ypsilanti) to get communication restarted. Mr. Miller mentioned that the Ypsilanti City Council meeting is the evening of the September 10th and can now be</p>

live streamed. It is also being recorded and is available with thumbnails to be reviewed after the fact. He thinks parking is on the agenda.

3. STRATEGY & OPERATIONAL UPDATES

3.1 2020 Budget

Mr. Metzinger pointed out the highlights of the Issue Brief, starting with the capital budget. He described why the garage roof should be one large project in 2021 to save cost on contracts and warranties. This allowed investments in the paratransit fleet.

CEO Carpenter further explained that this is a late in the timeline business process change that warrants attention from the Board. He pointed out that in the industry, it is considered a safer, lower-risk for TheRide to own their own fleet. This will contribute to reducing operating cost for paratransit.

Mr. Metzinger explained to Mr. Miller that the Federal and State grants are formula funds and do have the flexibility to change allocation. CEO Carpenter pointed out that Appendix 5 in the budget explains some of the grants further. Mr. Metzinger pointed to the 10-year capital plan on page 24, which points out where and how funds will be applied to the roof and HVAC project in 2021.

Mr. Metzinger explained to Ms. Sims that TheRide has gotten full evaluations on current operations of the roof and HVAC systems, indicating that they will be in sufficient shape for a bit longer. He shared that Candace Moore reported on the evaluations of the HVAC systems as favorable to wait. Mr. Smith pointed out that the larger issues with leaks were over the admin area of the building and are being addressed currently.

Mr. Metzinger discussed the operating budget and the decision to not change current propulsion. He explained to Mr. Miller that TheRide can continue to offer all services as planned for 2020 without changing fuels. Mr. Metzinger's personal plan is to immediately turn the page and begin looking to the 2021 budget after the 2020 budget is adopted. Mr. Miller expressed that alternative propulsion needs to be in TheRide's long term, corporate business plan.

Ms. Sims expressed her feelings that TheRide is close enough on the reserve to put the funds elsewhere.

Mr. Metzinger and Mr. Carpenter pointed out policy 2.4.7 which describes the budgeting philosophy. It points out not knowingly over-extending financially.

CEO Carpenter pointed out the updated contract page that was sent out via e-mail earlier in the day. More clarity may be gained from the Service Committee Board Member as to why they may feel that the YTC Contract should be pulled from the pre-approved contracts list. Policy 2.11.1.5.c indicates that capital updates are required. No capital project has occurred since the adoption of the current policies. CEO Carpenter explained the opportunity with this policy to provide updates.

4. CLOSING ITEMS

4.1 Topics for Next Meeting

October is open for now. Mr. Metzinger pointed out that he will be returning from vacation on October 7th. He suggested that a call or e-mail to Mr. Mike Allemang should be made to see if he has anything that should be added to the agenda for October.

A mock up on an Ends Monitoring Report from CEO Carpenter may be presented.

CEO Carpenter and Keith Book will speak with Mr. Mike Allemang about the timing of the October Finance Committee meeting.

4.2 Adjournment

Acting Chairman Sims adjourned the meeting at 3:46pm.

Service Committee Meeting Summary

Meeting Date: September 4, 2019

Location: Blake Transit Center, 328 S. 5th Ave., Ann Arbor, MI 48104

Board Member Attendees: Roger Hewitt (Chair), Kathleen Mozak-Betts, Sue Gott

AAATA Staff Attendees: Matt Carpenter, Bryan Smith, John Metzinger, Tim Sanderson

Chairman Roger Hewitt called the meeting to order at 3:08pm.

1. OPENING ITEMS

1.1 Agenda (Additions, Approval)

Ms. Kathleen Mozak-Betts asked to add LAC as a discussion point.

The agenda was approved unanimously.

2. POLICY MONITORING & DEVELOPMENT

2.1 Fare Policy Development

CEO Matt Carpenter explained the process of developing policies by starting with the Board policies that already exist in writing. He proposed that he and Mr. John Metzinger could create a mock up fare policy to which the Board may react, based off the policy that exists.

Mr. Metzinger pointed out Attachment 1: Board Policies on Fares and CEO Carpenter described how these policies could be used to create a draft for the Service Committee to review that pays attention to the Executive Limitations Policies.

Ms. Mozak-Betts commented that more precise policy language would be a good idea.

Ms. Sue Gott discussed the importance of being mindful of anything that may have been lost in the transition to policy governance, perhaps historical commitments made to the community. Ms. Gott posed the question, does our guidance in the policies include a component of financial reality?

Ms. Gott would like to know:

- What was the cost per trip a decade ago, in 2010?
- What is the cost per trip today?
- What percentage of the costs are covered by fares today?

CEO Carpenter said these numbers can be retrieved, most like from a consulting report. The graph on page 47 of the budget was explained by Mr. Metzinger.

CEO Carpenter discussed an equity between the property owners (property tax payers) and the riders paying fares. Is there a philosophy that has been presented to the public regarding how fares and taxes should be determined, honoring equity in one way as well as the reality of cost increases?

Mr. Metzinger discussed the fare study presented in April of 2019. Ms. Gott expressed trying to create a defensible narrative, with a calculation / equation to offer.

CEO Carpenter discussed the potential of a new section of Board policies being created that are committed to fares.

Ms. Gott suggested that different scenarios of equity being presented to the Board could be helpful in deciding TheRide's identity.

Ms. Mozak-Betts discussed wanting as much information as possible regarding fare decisions.

Ms. Gott discussed learning the demographic range of riders we have.

CEO Carpenter discussed the "Fare Deal Program", an unchanged historic program.

Mr. Hewitt discussed discovering the philosophy behind how our fares are determined.

Ms. Mozak-Betts asked to find out what the fare was before 2010 and to what or how it was raised in 2010.

2.2 LAC

Ms. Mozak-Betts discussed the LAC's charge and bylaws. She asked where the LAC lands, under the CEO or under the Board, or both? She also asked what the Board's expectations of the LAC are.

Chairman Hewitt agreed there is ambiguity as to what the role of the LAC is. He suggested that the LAC describing how they see their role would be helpful for the Board. CEO Carpenter and Ms. Mozak-Betts discussed that this direction is already in motion. They suggested that Ms. Cheryl Weber present LAC's current direction to the Board.

3. STRATEGY & OPERATIONAL UPDATES: CEO

3.1 2020 Budget

Mr. Metzinger highlighted changes that have been made to the budget since the last draft, which are noted specifically in the Issue Brief.

Ms. Gott asked for actual cost savings numbers and the study showing the difference between leasing and owning a fleet.

Ms. Gott is to be added to Mr. Metzinger's calendar for further questions regarding the budget.

Ms. Gott asked how the Board can have participation in the YTC decision outside of approving it in the budget, so the Board can have a greater contribution to the design. CEO Carpenter discussed that the YTC should be added to the list of contracts in the budget. Once it is on the list, CEO Carpenter explained that Ms. Gott can make a motion at the Board meeting for the contract to be taken off the list of contracts, giving the accountability of the project over to the Board.

CEO Carpenter expressed that otherwise operational expertise would be invited from the Board. A discussion continued about the expectations of capital budget updates. Ms. Gott expressed that she would be happy to be a resource.

3.2 Long Range Plan

Mr. Tim Sanderson provided a presentation discussing where TheRide is now, starting with the public consultations and leading to what will be presented to the stakeholders going forward.

CEO Carpenter explained that this is the first round of public consultation, that there will be 2 others to follow, and at this point all questions and comments are particularly welcome. He expressed that this may be a process that the Board should approve.

Ms. Gott suggested the presentation may not adequately honor the work that has already been done. She would love to see earlier work built upon. BRT was used as an example. She expressed that evidence of ideas that have been invested in should be present. CEO Carpenter expressed acknowledging previous work at the beginning of the presentation can be added to show appreciation in and the value of earlier work.

Ms. Mozak-Betts asked for a list of stakeholders, which Mr. Sanderson provided to the Committee.

Ms. Gott asked for dates of these meetings to be provided to the Board so they may participate in the meetings. CEO Carpenter expressed the plan to do just that and described the benefit of the Board participating in the meetings. Mr. Sanderson will offer those dates within the next few weeks.

Chairman Hewitt asked how the Board can be proactive in contributing to the Long-Range Plan. CEO Carpenter led further discussion on how that can be done, particularly through writing policy.

Ms. Gott discussed the link between affordable housing and public transit.

Ms. Mozak-Betts asked how to reach community members for feedback, how to engage the public to provide the feedback and understand their feedback is warranted and respected.

4. CLOSING ITEMS

4.1 Topics for Next Meeting

4.1. Fares

4.2 Long Range Plan

4.3 CEO Carpenter may have a mock of the Ends Means.

4.2 Adjournment

Ms. Gott moved to adjourn the meeting. Chairman Hewitt adjourned the meeting at 5:46pm.

ISSUE BRIEF: 3.0 Global Governance Process & 4.0 Global Board-Management Delegation

Meeting: Board of Directors

Meeting Date: September 19, 2019

INFORMATION TYPE:
Monitoring
RECOMMENDED ACTION(S):
Receive governance self-monitoring report for information and discussion.
ALTERNATIVE OPTION(S):
N/A
PRIOR RELEVANT BOARD ACTIONS & POLICIES
The Governance committee has received and reviewed the responses on Policy 3.0 and 4.0 and would like to bring the discussion forward to the full Board.
ISSUE SUMMARY:
ALL Board members were invited to respond to a questionnaire that had them rating the performance of policy 3.0, the global governance process and policy 4.0, the global board-management delegation. Five Board members provided their feedback. There was a positive response as respondents felt that the Board <u>always</u> or for <u>most of the time</u> complied to policy 3.0. and 4.0.
BACKGROUND:
N/A
IMPACTS OF RECOMMENDED ACTION(S):
<ul style="list-style-type: none"> Board Governance
ATTACHMENTS:
1. Governance Self-Monitoring Report

Feedback on Policy 3.0: Global Governance Process

There was a positive response as respondents felt that the Board always or for most of the time complied to policy 3.0. The responses are as in the table below.

Responses	Comments
<p>Always (2) Most of the Time (3)</p>	<p>In general terms, I believe we comply with this policy consistently and with good faith efforts. (E.M) The AAATA has demonstrated an ability to carry out its mission within its means. It is forward looking, and staff has reported on pending financial constraints for the organization (R. Hess)</p> <p>I am interpreting “achieves appropriate results for appropriate persons at an appropriate cost, “as a question of if we are achieving our Ends. While the majority of our Ends as they are currently stated are being achieved, there are a few crucial Ends which have we have yet to achieve to a satisfactory level, particularly 1.1.3, and 1.3.6. (J.M)</p> <p>The Board has done recent work on this through the Ownership Linkage task force. Additionally, AAATA staff and beneficiaries are active on different commissions, boards, etc. to ensure that our Owners are aware of our efforts to live up to our ends. Still a work in progress. (K.S)</p> <p>We are just starting out long range planning, so it is a little early to tell if we will be good ‘stewards of the future’. I think the 83% positive vote on our millage renewal is evidence of our acceptable actions. (R. Hewitt)</p>

3.0 GLOBAL GOVERNANCE PROCESS

The purpose of the Board, on behalf of the residents and workers of the member jurisdictions and government jurisdictions with whom we have service agreements (Ownership), and as stewards of the future, is to see to it that the Ann Arbor Area Transportation Authority (AAATA) (a) achieves appropriate results for appropriate persons at an appropriate cost, and (b) avoids unacceptable actions and situations.

Feedback on Policy 4.0: Global Board-Management Delegation

There was a positive response as respondents felt that the Board always or for most of the time complied to policy 4.0. The responses are as in the table below.

Responses	Comments
<p>Always (4) Most of the Time (1)</p>	<p>The Board communicates its direction to the CEO at Board meetings and retreats and not directly with Staff (R.Hess)</p> <p>The Board often hears directly from staff members other than the CEO, but always with the CEO’s knowledge. CEO is always accountable for the staff’s actions. (E.M)</p> <p>Except when the CEO was on vacation, the CEO was present at all meetings where staff was present. I have not witnessed or heard of any direction given to a staff member by a Board member. (R. Hewitt)</p> <p>I can only speak for myself, but all my communication as board member to the organization is done through the CEO or his delegates. (J.M)</p> <p>Generally, the Board’s connection to AAATA’s operational organization is through the CEO. However, the CEO does often (rightfully) delegate responsibilities to other members of the executive team. (K.S)</p>

4.0 GLOBAL BOARD-MANAGEMENT DELEGATION

The Board’s sole official connection to the operational organization, its achievements and conduct will be through a Chief Executive Officer (CEO).

Local Advisory Council Meeting Summary

Meeting Date: August 6, 2019

Location: Dawn Gabay Operations Center, 2700 S. Industrial Highway, Ann Arbor, MI 48104

LAC Committee Member Attendees: Cheryl Weber (Chair), Larry Keeler (Co-Chair), Debra Poster, Jody Slowins, Stephen McNutt, Mary Wells, Janet Nutt, Rebecca Burke, Clark Charnetski (Rep. A1B), Andrea Henry (CIL)

LAC General Members: Danah Greer, Liz Aldridge, Luanne Bollington

AAATA Board Liason: Kathleen Mozak-Betts

AAATA Staff Liaison: Matt Carpenter, William DeGroot, Robert Williams, Tracy Byrd

Guests: Darryl Johnson (RideCorp)

1. CALL TO ORDER
<ul style="list-style-type: none"> Chairperson Weber called the meeting to order at 1:30 p.m.
2. REVIEW & APPROVAL OF AGENDA
<ul style="list-style-type: none"> The agenda was approved with no additions.
3. REVIEW & APPROVAL OF MINUTES
<ul style="list-style-type: none"> The June meeting minutes were accepted with a spelling correction for the proper name of a Guest.
4. COMMUNICATIONS & ANNOUNCEMENTS
<ul style="list-style-type: none"> Clark Charnetski mentioned the Transportation Commission Meeting will be at the Ann Arbor City Council Chambers on August 21th at 7:00pm. Jody Slowins reported that Partners for Personal Assistance, non-profit ceased operations and closed.
5. PUBLIC COMMENT
<ul style="list-style-type: none"> No comments during this period.
6. BOARD REPORT
<ul style="list-style-type: none"> Chairperson Weber gave the report. A discussion of the LAC and its role was reviewed which lead to the creation of the attached outline for the LAC's role in policy governance.
7. NEW BUSINESS
<ul style="list-style-type: none"> Mr. Carpenter introduced the discussion of policy governance. He detailed the discussion of potential roles for the LAC and Board interaction. With the assistance of Ms. Mozak-Betts, they described the attached outline to the LAC. It was determined that the LAC would start to review this document and change their approach in order to transform with the AAATA Board. All other agenda items were postponed for future agendas.
8. PUBLIC COMMENT TIME
<ul style="list-style-type: none"> Ms. Bollington asked for a status on many planning issues, the relationship with the RTA, Re-Imagine Washtenaw, Ellsworth Road and Research Park. She was directed to call AAATA directly since these projects are not discussed at the LAC.

9. FUTURE NEW BUSINESS TEAMS

- AAATA Board Policy Manual
- AAATA Policy Monitoring Report
- Introduction of Michelle Willis
- Paratransit Monthly Update

10. ADJOURNMENT

- Chairperson Weber adjourned the meeting at 3:05 p.m.

Respectfully Submitted by: William DeGroot (C/O), Robert Williams, LAC Liaison / AAATA
Paratransit Coordinator

ISSUE BRIEF: CEO Report

Meeting: Board of Directors

Meeting Date: September 19, 2019

INFORMATION TYPE:

Other

OPERATIONAL & PROJECT UPDATES

- **FALL SERVICE UPDATE**
The Fall Service changes have been successfully implemented and included moving, adding and removing bus stops on multiple routes. Adding two-way service on several routes and introducing FlexRide in Pittsfield township to replace Routes 61 and 67.
- **LONG RANGE PLAN - PUBLIC ENGAGEMENT**
The Long-Range Plan public engagement period is set to begin October 1 – November 11. Public Input Sessions will be held from 5:30-7:30pm at the Ypsilanti Township Hall on October 16, at the Ann Arbor District Library-Downtown Branch on October 23, and at SPARK-East in Ypsilanti on October 30. Pop-Up input sessions will be held at the Blake and Ypsilanti Transit Centers in October and November. More information and to comment online, community members can visit TheRide.org.
- **STATE BUDGET**
The state budget is moving forward without a road funding package. At this point it is not yet clear what this means for transit funding. With this change we have begun reaching out to our partners and elected leaders to work to ensure transit funding is not reduced in the final budget. We anticipate learning more over the next two weeks.
- **2019 BUDGET AWARD**
The Ann Arbor Area Transportation Authority (TheRide) recently received recognition in governmental budgeting by being presented with the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award. This award was received for TheRide's Fiscal Year 2019 Operating and Capital Budget. This is the second year in a row that the organization has received this prestigious award.
- **CAPITAL PROJECT UPDATE – REPLACEMENT BUS PURCHASES**
The procurement of new bus manufacturer was finalized with NovaBus being the selected vendor. Eight buses will be purchased each year to replace older buses that have met their lifespan. Management staff will visit the factory in upstate New York in early October to discuss and finalize details of the design. Delivery of the vehicles is expected late 2020. A slightly later delivery of seven buses was chosen to allow for a single bus to be delivered early. This will accelerate staff training and make for a smoother deployment, likely in early 2020.

OPERATIONAL & PROJECT UPDATES *(continued)*

- **AIRRIDE UPDATE**

A new schedule has been published that includes more daily roundtrips between Ann Arbor and Detroit Metropolitan Airport. Passengers now have options starting earlier in the morning and ending later at night. The new schedule starts October 1, 2019. Individuals who commute between Brighton and Ann Arbor will now have the option to use the Michigan Flyer/AirRide. Details are available at <https://www.michiganflyer.com/ScheduleRoute.aspx>

- **INNOVATIVE MOBILITY CHOICES**

TheRide is fine-tuning its draft innovative mobility goals and objectives. We are engaging the public for feedback through pop-ups at the Ypsilanti Transit Center on September 24, Ypsilanti District Library-Whittaker branch September 25, and the Blake Transit Center on September 26, all from 4-7pm. Information is available at TheRide.org/AboutUs/New-Mobility.

- **WATS POLICY COMMITTEE UPDATE**

The August WATS Policy Committee Meeting was cancelled.

- **TRANSPORTATION COMMISSION**

The City's Transportation Commission met on August 21 and received a report on vehicle collision data as well as the impact of construction on active and public transportation.

- **CUSTOMER SERVICE TRACKING**

The vendor we were anticipating signing a contract with has withdrew their proposal citing irreconcilable contract terms and conditions. We are investigating further competitive procurement options.

- **BIKESHARE/ARBORBIKE**

We are waiting for final permitting agreement from the City of Ann Arbor to begin operations.

- **FLEET MAINTENANCE UPDATE**

We have added a third shift for fleet technicians, Sunday through Thursday night to improve coverage for morning pull-out.

- **ROOF/HVAC REPLACEMENT PROJECT**

The roof and HVAC Replacement Project for the administrative sectors of the Dawn Gabay Operations Center is on schedule and should be completed by October 31, 2019.

- **MICHIGAN PUBLIC TRANSIT ASSOCIATION**

CEO Carpenter was elected to serve as chair of the board of the state transit industry association. His term begins in October.

- **NEW POLICE CHIEF**

CEO Carpenter and Deputy CEO Smith had a productive introductory meeting with the new Ann Arbor Police Chief, Michael Cox.

OPERATIONAL & PROJECT UPDATES *(continued)*

- **PERSONNEL UPDATE**

Mike Blackston joined AAATA as our new Manager of Information Technology on September 3rd. He comes to us from the Toledo Area Regional Transit Authority (TARTA), where he has served as Information Technology Director for the past 13 years. Prior, he worked as an IT consultant with RNR consulting. He holds a Master of Business Administration from the University of Toledo.

Bill DeGroot has accepted a new job as the Township Manager for Chocolay Township, (near Marquette, Michigan). Although Bill's enthusiasm, work ethic, judgement and commitment to AAATA will be missed, we wish him the best of luck in this new position.

Board Self-Monitoring Questionnaire

Name:

Date of Board Meeting:

Instructions:

This form will be used to monitor our performance as a Board. Please respond to each question by selecting Yes or No and providing additional information where necessary.

Questions:

1. Were the issues covered in the Board meeting significant to AAATA? Yes or no? If no, please explain.

2. Did the materials you received prior to the meeting adequately prepare you to participate in the discussion? Yes or no? If no, please explain.

3. Did the board conduct oversight of management or policy? If yes, please indicate which management or policy matters were discussed. If no, please provide reasons for the lack of discussion on oversight of management or policy.

4. Overall, was the meeting worth your time? Yes or no? If no, please explain